



C&D Newin Paper & Pulp Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

2023

INTERIM REPORT

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BOARD OF DIRECTORS

Executive Directors

Mr. Shi Yaofeng (*Chief Executive Officer*)

Ms. Shi Chenye (*Vice Chief Executive Officer*)

(resigned as each of an executive director and the vice chief executive officer of the Company with effect from 8 August 2023)

Mr. Huang Tiansheng

Non-executive Directors

Mr. Cheng Dongfang (*Chairman of the Board*)

Mr. Li Shengfeng

(resigned as a non-executive director of the Company with effect from 8 August 2023)

Mr. Choi Wai Hong, Clifford

Independent non-executive Directors

Mr. Wong Yiu Kit, Ernest

Mr. Lam John Cheung-wah

Mr. Zhao Lin

AUDIT COMMITTEE

Mr. Wong Yiu Kit, Ernest (*Chairman*)

Mr. Choi Wai Hong, Clifford

Mr. Lam John Cheung-wah

REMUNERATION COMMITTEE

Mr. Zhao Lin (*Chairman*)

Mr. Cheng Dongfang

Mr. Lam John Cheung-wah

NOMINATION COMMITTEE

Mr. Zhao Lin (*Chairman*)

Mr. Cheng Dongfang

Mr. Lam John Cheung-wah

JOINT COMPANY SECRETARIES

Dr. Wong Chi Ho, Raymond

Ms. Li Jing

AUTHORISED REPRESENTATIVES

Mr. Cheng Dongfang

Dr. Wong Chi Ho, Raymond

REGISTERED OFFICE

5th Floor, Victoria Place,

31 Victoria Street, Hamilton HM10,

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2306B & 2307,

23rd Floor, West Tower, Shun Tak Centre,

No. 168–200, Connaught Road Central,

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

4th Floor North, Cedar House,

41 Cedar Avenue, Hamilton HM12,

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited

Room 2103B, 21/F, 148 Electric Road

North Point, Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited

Industrial and Commercial Bank of China,

Xuecheng District Sub-branch

China Everbright Bank Co., Ltd, Xiamen branch

COMPANY WEBSITE

<http://www.cndnewin.com>

LEGAL ADVISERS

As to Hong Kong law

Seyfarth Shaw

Suites 3701, 3708–3710, 37/F,

Edinburgh Tower, The Landmark,

15 Queen's Road Central, Hong Kong

STOCK CODE

731

CHANGE OF FINANCIAL YEAR END DATE

The board (the “Board”) of directors (the “Directors”, each a “Director”) of C&D Newin Paper & Pulp Corporation Limited (the “Company”, together with its subsidiaries, the “Group”) in June 2022 has resolved to change the financial year end date of the Company from 31 March to 31 December commencing from the financial period from 1 April 2022 to 31 December 2022. Please refer to the Company’s announcement dated 30 June 2022 for details.

Accordingly, this unaudited condensed consolidated financial information and the related notes presented for the current period cover a six-month period from 1 January 2023 to 30 June 2023 (the “period”) while the corresponding comparative amounts shown for the condensed consolidated statements of profit or loss, condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows, and the related notes cover a six-month period from 1 April 2022 to 30 September 2022. As a result, the comparative amounts may not be comparable with the amounts shown for the period.

BUSINESS REVIEW

In the first half of 2023, the overall economy of China recovered moderately under the low base effect. However, the economic recovery has mainly manifested in the “scenario-based” consumption, which did not have a significant effect in driving up demand for most of wrapping paper products. In addition, the export market weakened, and the downstream demand for wrapping paper remained weak. On the supply side, the policy of zero tariff on imported paper led to an increase in the amount of imported paper. Domestic paper prices were under greater pressure due to the increase in supply. Although part of the supply side attempted to stop production initiatively for adjustments, it was still difficult to support the price and profit margin. Affected by the overall downward pressure on the average unit selling price and gross margin in the domestic paper manufacturing industry, the Company recorded a loss during the Period.

In the face of the continuous downturn of the macro-economy, the continuous promotion of energy policies and dual-carbon policies, coupled with the impact of complex international relations such as the intense competition among the great powers, the Company actively responded to the impact. Internally, the Company actively developed new products, explored new production processes, reduced energy consumption and improved production efficiency; whilst externally, the Company actively exploited new market opportunities, increased the proportion of direct sales customers, expanded customer bases in the markets of the Yangtze River region and Tianjin, in order to enhance its profitability by improving its market recognition and increasing its market share.

Prospects

Looking ahead, although the overall sentiment of the paper manufacturing industry is relatively pessimistic, China is accelerating the pace of economic recovery and actively adjusting its industrial development strategy to provide active support for corporate development. The Group will continue to implement development strategies to upgrade production capacity and reduce energy consumption, and enhance its production capacity through increasing and accelerating production, equipment upgrading and process optimization to build a production base for fine coated duplex board.

FINANCIAL PERFORMANCE

Revenue

The revenue of the Group decreased from approximately HK\$722.2 million for the six months ended 30 September 2022 to approximately HK\$593.5 million for the six months ended 30 June 2023. The decrease in the revenue of the Group was mainly due to the decrease in the average unit selling price of the major paper products of the Group for the six months period ended 30 June 2023 amid the overall domestic macroeconomic downturn and the sluggish recovery of the consumer market. However, the Group's overall sales volume of the major paper products during the six months period ended 30 June 2023 had been maintained at a similar level with that for the six months period ended 30 September 2022.

Gross loss

Gross loss of the Group for the six months ended 30 June 2023 was approximately HK\$33.4 million (30 September 2022: approximately HK\$9.9 million). For the six months ended 30 June 2023, the decrease in the costs of raw materials was at a pace slower than that in the average unit selling price of the major paper products of the Group resulting in a further drop of the gross margin of the Group, hence leading to an increased gross loss.

Loss for the period

Loss for the period was approximately HK\$103.6 million (30 September 2022: approximately HK\$70.0 million). The loss for the period was due to the above-mentioned decrease in revenue and gross margin.

Liquidity and financial resources

As at 30 June 2023, the Group had bank and cash balances of approximately HK\$14.9 million with a net gearing ratio of approximately 70.6%. Net gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less bank and cash balances. Total capital refers to total equity plus net debt.

The current ratio (current assets divided by current liabilities) was approximately 0.62 times (31 December 2022: approximately 0.71 times).

Charge of assets

Certain land and buildings of the Company's subsidiaries, with a total carrying value of approximately HK\$83.6 million as at 30 June 2023 (31 December 2022: approximately HK\$89.5 million) were pledged to banks as securities for bank loans of approximately HK\$75.5 million (equivalent to RMB70.0 million) (31 December 2022: approximately HK\$79.0 million (equivalent to RMB70.0 million)).

Contingent liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities (31 December 2022: Nil).

Material acquisitions and disposals of subsidiaries, associates and joint ventures and future plans for material investments or capital assets

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2023 and there is no plan for material investments or capital assets as at the date of this interim report.

Foreign exchange risk

The Group's transaction currencies are principally denominated in Renminbi and Hong Kong dollars. The Group currently does not have a foreign currency hedging policy. However, the management is closely monitoring foreign exchange exposure and the Group will hedge foreign currency exposure when considered necessary.

Employees, staff costs and training

As at 30 June 2023, the Group had a total of 775 employees excluding Directors (30 September 2022: 820 employees). For the six months ended 30 June 2023, the Group incurred staff costs (excluding Directors' remuneration) of approximately HK\$42.5 million, representing an increase of approximately 10.4% as compared with approximately HK\$38.5 million for the six months ended 30 September 2022. The increase was mainly attributable to the one-off termination benefits of approximately HK\$2.5 million during the period.

The remuneration payable to our employees may include salaries and bonuses. Their salaries are determined with reference to, among other things, their respective position, qualification and experience. Their bonuses are generally determined with reference to, among other things, their respective position, term of service and performance. The remuneration package provided to our employees are reviewed on a regular basis from time to time. Training for various levels of staff is also undertaken depending on the needs and actual circumstances of the Group.

INTERIM DIVIDEND

The Board has resolved not to recommend an interim dividend for the six months ended 30 June 2023.

CHANGE IN INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The changes in the information of the Directors and the senior management which are required to be disclosed pursuant to Rule 13.51B(1) of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) are as follows:

Ms. Shi Chenye resigned as each of an executive Director and the vice chief executive officer of the Company with effect from 8 August 2023. For details, please refer to the Company’s announcement dated 8 August 2023 and the section “EVENTS AFTER THE REPORTING PERIOD — Resignations of Directors” in this report.

Mr. Li Shengfeng resigned as a non-executive Director with effect from 8 August 2023. For details, please refer to the Company’s announcement dated 8 August 2023 and the section “EVENTS AFTER THE REPORTING PERIOD — Resignations of Directors” in this report.

Mr. Li Shengfeng also ceased to be interested in the shares of the Company (the “Shares”) with effect from 8 August 2023. For details, please refer to the Company’s announcements dated 21 July 2023 and 8 August 2023 respectively and the section “EVENTS AFTER THE REPORTING PERIOD — Change in the Shareholding Structure of the Controlling Shareholder” in this report.

Mr. Cheng Dongfang, being each of a non-executive Director and the chairman of the Board, no longer acts as a director and a general manager of Xiamen C&D Paper (as defined below). Xiamen C&D Paper, directly and indirectly in aggregation wholly owned by Xiamen C&D Inc. (as defined below), is an indirect controlling shareholder (as defined in the Listing Rules) of the Company.

Mr. Lam John Cheung-wah, being an independent non-executive Director, has been appointed as an independent non-executive director of Golden Ponder Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1783), in June 2023.

Mr. Shi Yaofeng, being each of an executive Director and the chief executive officer of the Company, (i) no longer acts as a vice general manager of Xiamen C&D Paper (as defined below) with effect from 15 August 2023, and (ii) has been appointed as each of an executive director and a member of the strategy and investment committee of Red Star Macalline Group Corporation Ltd, a joint stock company incorporated in the People’s Republic of China (the “PRC”) with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 1528) with effect from 15 August 2023. Mr. Shi Yaofeng has also resigned as the legal representative and director of UPPSD (as defined below), an indirect wholly owned subsidiary of the Company in September 2023.

Mr. Huang Tiansheng, being an executive Director, has ceased to be a supervisor of UPPSD (as defined below) and has been appointed as the legal representative and director of UPPSD (as defined below), an indirect wholly owned subsidiary of the Company in September 2023.

Save as disclosed above, there is no change in the information of the Directors and the senior management required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Pursuant to Rule 13.51B(2) of the Listing Rules, the Company, on 1 June 2023, announced that, Mr. Wong Yiu Kit, Ernest (“Mr. Wong”), being each of an independent non-executive Director and the chairman of the audit committee of the Company, informed the Board that, as announced on 25 May 2023 by Goldstone Investment Group Limited (In Liquidation) (stock code: 901), a company whose shares are listed on the Main Board of the Stock Exchange, where Mr. Wong has been an independent non-executive director since 1 December 2020, has been ordered to be wound up by the High Court of Hong Kong on 18 May 2023. For details, please refer to the Company’s announcement dated 1 June 2023.

Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2023, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules were as follows:

Interests in Shares and underlying Shares of the Company

Name of Director	Capacity/ Nature of interest	Total number of Shares/underlying Shares held ^(Note 1)	Approximate percentage of shareholding interest in the Company (%) ^(Note 1)
Mr. Li Shengfeng ^(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00

Notes:

- As at 30 June 2023, the Company had issued 1,414,600,832 Shares in total. The letter “L” denotes the person’s long position in the Shares.
- The Company issued 990,220,583 Shares to NCD Investment Holding Limited (“NCD”) on 26 January 2022. As at 30 June 2023, NCD was owned as to 55% by Glenfor Investment Holding Limited (“Glenfor”) and 45% by XSD Investment Holding Limited (“XSD”).

Glenfor is directly wholly owned by Hong Kong Paper Sources Co., Limited (“HK Paper Sources”), which is in turn directly wholly owned by 廈門建發漿紙集團有限公司 (Xiamen C&D Paper & Pulp Group Co., Ltd.*; formerly known as 廈門建發紙業有限公司 (Xiamen C&D Paper & Pulp Co., Ltd.*) (“Xiamen C&D Paper”). Xiamen C&D Paper is directly and indirectly in aggregation wholly owned by 廈門建發股份有限公司 (Xiamen C&D Inc.*) (“Xiamen C&D Inc.”), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153.SH). 廈門建發集團有限公司 (Xiamen C&D Group Co., Ltd.*) being a controlling shareholder of Xiamen C&D Inc., is directly wholly owned by 廈門市人民政府國有資產監督管理委員會 (Xiamen Municipal People’s Government State-owned Assets Supervision and Administration Commission*).

XSD is directly wholly owned by XSD International Pte. Ltd. (“XSD International”), which is in turn directly wholly owned by 浙江新勝大實業有限公司 (Zhejiang Xinshengda Industrial Co., Ltd.*) (“Zhejiang Xinshengda Industrial”). Zhejiang Xinshengda Industrial is directly wholly owned by 浙江新勝大控股集團有限公司 (Zhejiang Xinshengda Holding Group Co., Ltd.*) (“Zhejiang Xinshengda Holding”), which is in turn owned as to 99% by Mr. Li Shengfeng and 1% by Ms. Lu Chengying. Immediately following the completion of the Change in the Shareholding Structure of the Controlling Shareholder (as defined herein below) on 8 August 2023, each of XSD, XSD International, Zhejiang Xinshengda Industrial, Zhejiang Xinshengda Holding and Mr. Li Shengfeng ceased to be interested in any Share. For details, please refer to the section “EVENTS AFTER THE REPORTING PERIOD — Change in the Shareholding Structure of the Controlling Shareholder” in this report.

As at the date of this report, (i) Mr. Shi Yaofeng, being an executive Director and the chief executive officer of the Company, is a director of NCD and Glenfor; (ii) Mr. Huang Tiansheng, being an executive Director, is the deputy general manager (presiding over the work) of Xiamen X&D Paper’s paper business; (iii) Mr. Cheng Dongfang, being a non-executive Director and the chairman of the Board, is a director of each of NCD, Glenfor and Hong Kong Paper Sources as well as the vice general manager of Xiamen C&D Inc. For details of the change in information of Directors and senior management of the Company, please refer to the section “CHANGE IN INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT” in this report.

Save as disclosed above, as at 30 June 2023, so far as is known to any Director or chief executive of the Company, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders’ Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2023, so far as the Directors are aware, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in Shares and underlying Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Total number of Shares/ underlying Shares held ^(Note 1)	Approximate percentage of shareholding interest in the Company ^(Note 1)
NCD Investment Holding Limited ^(Note 2)	Beneficial owner	990,220,583 (L)	70.00
Glenfor Investment Holding Limited ^(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
Hong Kong Paper Sources Co. Limited ^(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
廈門建發漿紙集團有限公司 ^(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
廈門建發股份有限公司 ^(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
廈門建發集團有限公司 ^(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
廈門市人民政府國有資產監督管理委員會 ^(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
XSD Investment Holding Limited ^(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
XSD International Pte. Ltd. ^(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
浙江新勝大實業有限公司 ^(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
浙江新勝大控股集團有限公司 ^(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
Quinselle Holdings Limited ^(Note 3)	Beneficial owner	73,059,817 (L)	5.16
Lee Seng Jin ^(Note 3)	Beneficial owner	12,845,969 (L)	6.08
	Interest of controlled corporation	73,059,817 (L)	
	Interest of spouse	114,511 (L)	
Sham Yee Lan Peggy ^(Note 3)	Beneficial owner	114,511 (L)	6.08
	Interest of spouse	85,905,786 (L)	

Notes:

1. As at 30 June 2023, the Company had issued 1,414,600,832 Shares in total. The letter “L” denotes the person’s long position in the Shares.
2. The Company issued 990,220,583 Shares to NCD Investment Holding Limited (“NCD”) on 26 January 2022. As at 30 June 2023, NCD was owned as to 55% by Glenfor Investment Holding Limited (“Glenfor”) and 45% by XSD Investment Holding Limited (“XSD”).

Glenfor is directly wholly owned by Hong Kong Paper Sources Co., Limited (“HK Paper Sources”), which is in turn directly wholly owned by 廈門建發漿紙集團有限公司 (Xiamen C&D Paper & Pulp Group Co., Ltd.*; formerly known as 廈門建發紙業有限公司 (Xiamen C&D Paper & Pulp Co., Ltd.*) (“Xiamen C&D Paper”). Xiamen C&D Paper is directly and indirectly in aggregation wholly owned by 廈門建發股份有限公司 (Xiamen C&D Inc.*) (“Xiamen C&D Inc.”), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153.SH). 廈門建發集團有限公司 (Xiamen C&D Group Co., Ltd.*), being a controlling shareholder of Xiamen C&D Inc., is directly wholly owned by 廈門市人民政府國有資產監督管理委員會 (Xiamen Municipal People’s Government State-owned Assets Supervision and Administration Commission*).

XSD is directly wholly owned by XSD International Pte. Ltd. (“XSD International”), which is in turn directly wholly owned by 浙江新勝大實業有限公司 (Zhejiang Xinshengda Industrial Co., Ltd.*) (“Zhejiang Xinshengda Industrial”). Zhejiang Xinshengda Industrial is directly wholly owned by 浙江新勝大控股集團有限公司 (Zhejiang Xinshengda Holding Group Co., Ltd.*) (“Zhejiang Xinshengda Holding”), which is in turn owned as to 99% by Mr. Li Shengfeng and 1% by Ms. Lu Chengying. Immediately following the completion of the Change in the Shareholding Structure of the Controlling Shareholder (as defined herein below) on 8 August 2023, each of XSD, XSD International, Zhejiang Xinshengda Industrial, Zhejiang Xinshengda Holding and Mr. Li Shengfeng ceased to be interested in any Share. For details, please refer to the section “EVENTS AFTER THE REPORTING PERIOD — Change in the Shareholding Structure of the Controlling Shareholder” in this report.

As at the date of this report, (i) Mr. Shi Yaofeng, being an executive Director and the chief executive officer of the Company, is a director of NCD and Glenfor; (ii) Mr. Huang Tiansheng, being an executive Director, is the deputy general manager (presiding over the work) of Xiamen X&D Paper’s paper business; (iii) Mr. Cheng Dongfang, being a non-executive Director and the chairman of the Board, is a director of each of NCD, Glenfor and Hong Kong Paper Sources as well as the vice general manager of Xiamen C&D Inc. For details of the change in information of Directors and senior management of the Company, please refer to the section “CHANGE IN INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT” in this report.

3. As at 30 June 2023, 73,059,817 Shares were held by Quinselle Holdings Limited which was wholly-owned by Mr. Lee Seng Jin (being the former executive Director, chairman and chief executive officer of the Company). Mr. Lee Seng Jin was therefore deemed under the SFO to be interested in such Shares held by Quinselle Holdings Limited.

Both Mr. Lee Seng Jin and Ms. Sham Yee Lan Peggy (being the former executive Director and deputy chief executive officer of the Company) were also deemed to be interested in the Shares held by each other due to their spousal relationship.

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any other persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

At the special general meeting of the Company held on 18 September 2015, the Shareholders approved the adoption of a share option scheme (the “Share Option Scheme”) which complies with the requirements under Chapter 17 of the Listing Rules.

No option has been granted, exercised, cancelled or lapsed since the date of adoption of the Share Option Scheme. There are therefore no outstanding options at the beginning and at the end of the six months ended 30 June 2023.

The principal terms and conditions of the Share Option Scheme are set out below.

i. Purpose

The purpose of the Share Option Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the “Invested Entity”).

ii. Participants

All directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.

iii. Maximum number of shares

The number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10% in the nominal amount of the issued share capital of the Company as at the date of adoption of the Share Option Scheme. The total number of shares available for issue under the Share Option Scheme is nil as at the date of this interim report.

iv. Maximum entitlement of each Participant

The maximum number of shares issued and to be issued upon exercise of the options granted to any one Participant (including both exercised and unexercised options) in any 12-month period shall not exceed one percent of the Shares in issue as at the date of grant.

v. Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be notified by the Board to each grantee of the option at the date of grant provided that such period shall not exceed a period of ten years from the date of grant but subject to the provisions for early termination of the option as contained in the terms of the Share Option Scheme.

vi. The eligible person shall pay HK\$1.0 to the Company in consideration of the grant of an option upon acceptance of the grant of option.

vii. **Exercise price**

The option price per share payable on the exercise of an option is determined by the Board and shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

viii. **Remaining life of the Share Option Scheme**

The Share Option Scheme will remain in force until 17 September 2025.

AUDIT COMMITTEE

The Audit Committee of the Company (the "Committee") was set up to review and provide supervision of the Group's financial reporting process and internal controls. The Committee has reviewed the Group's unaudited interim report for the six months ended 30 June 2023, including the accounting principles and practices adopted by the Group, before it was tabled for the Board's approval.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors' dealings in the Company's securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2023.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code during the six months ended 30 June 2023.

EVENTS AFTER THE REPORTING PERIOD

Change in the Shareholding Structure of the Controlling Shareholder

On 21 July 2023, HK Paper Sources and XSD entered into a share purchase agreement pursuant to which HK Paper Sources had conditionally agreed to acquire and XSD had conditionally agreed to sell XSD's 45% equity interests in NCD, the direct controlling shareholder of the Company holding as to approximately 70.00% issued share capital of the Company (the "Change in the Shareholding Structure of the Controlling Shareholder"), the completion of which (the "Completion") took place on 8 August 2023.

Immediately upon and from Completion, XSD ceases to hold any shares in the capital of NCD and HK Paper Sources holds in aggregate, directly and indirectly through its wholly owned subsidiary, Glenfor, 100% of the equity interests in NCD. There was no change in the shareholding of NCD in the Company and NCD remains to be a controlling shareholder of the Company upon and from Completion.

Please refer to the announcements of the Company dated 21 July 2023 and 8 August 2023 for details.

Resignations of Directors

On 8 August 2023, (i) Ms. Shi Chenye resigned as each of an executive Director and the vice chief executive officer of the Company with effect from 8 August 2023; and (ii) Mr. Li Shengfeng resigned as each of a non-executive Director and a director of NCD with effect from 8 August 2023 ((i) and (ii) are collectively referred to as the "Resignations of Directors").

Details of the Resignations of Directors were set out in the announcement of the Company dated 8 August 2023.

Entering into of the Shareholder's Loan Agreement

On 25 August 2023, UPPSD (as defined below) (as borrower), an indirect wholly owned subsidiary of the Company, entered into a shareholder's loan agreement (as defined below) with Xiamen C&D Paper (as lender), which is the intermediate holding company of NCD, for a loan facility of approximately HK\$107,840,000 (equivalent to RMB100,000,000) which is repayable within 18 months from the date of relevant drawdown.

Save as disclosed above, the Group has no significant events occurred from 1 July 2023 to the date of this interim report which require additional disclosures.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises two executive Directors, namely Mr. SHI Yaofeng and Mr. HUANG Tiansheng; two non-executive Directors, namely Mr. CHENG Dongfang and Mr. CHOI Wai Hong, Clifford; and three independent non-executive Directors, namely Mr. ZHAO Lin, Mr. WONG Yiu Kit, Ernest and Mr. LAM John Cheung-wah.

By order of the Board
C&D Newin Paper & Pulp Corporation Limited
Mr. SHI Yaofeng
Executive Director

Hong Kong, 28 August 2023

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

The Board hereby announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2023 as follows.

		Unaudited Six months ended 30 June 2023 HK\$'000	Unaudited Six months ended 30 September 2022 HK\$'000
Revenue	4	593,547	722,184
Cost of sales		<u>(626,953)</u>	<u>(732,100)</u>
Gross loss		(33,406)	(9,916)
Other gains and income/(loss), net		2,845	4,889
Selling expenses		(2,740)	(1,022)
Administrative expenses		(58,512)	(55,729)
Impairment losses of financial assets, net		<u>(1,145)</u>	<u>(613)</u>
Loss from operations		(92,958)	(62,391)
Finance costs		<u>(10,677)</u>	<u>(7,253)</u>
Loss before tax		(103,635)	(69,644)
Income tax expense	5	<u>—</u>	<u>(346)</u>
Loss for the period	6	<u>(103,635)</u>	<u>(69,990)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited Six months ended 30 June 2023 HK\$'000	Unaudited Six months ended 30 September 2022 HK\$'000
Loss for the period	<u>(103,635)</u>	<u>(69,990)</u>
Other comprehensive income, net of tax:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(8,795)</u>	<u>(48,800)</u>
Total comprehensive income for the period attributable to owners of the Company	<u><u>(112,430)</u></u>	<u><u>(118,790)</u></u>
Loss per share	8	
Basic	<u><u>HK(7.3) cents</u></u>	<u><u>HK(4.9) cents</u></u>
Diluted	<u><u>HK(7.3) cents</u></u>	<u><u>HK(4.9) cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		Unaudited 30 June 2023 <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	9	741,232	794,996
Right-of-use assets	10	185,611	197,916
Other intangible assets		147	171
		926,990	993,083
Current assets			
Inventories		171,188	238,689
Accounts and other receivables and prepayments	11	60,278	59,172
Amounts due from related parties	14	1,416	13,167
Bank and cash balances		14,890	12,898
		247,772	323,926
Total assets		1,174,762	1,317,009
Current liabilities			
Accounts and other payables	12	266,643	326,336
Contract liabilities		9,129	1,595
Amounts due to related parties	14	48,029	52,255
Amount due to ultimate holding company	14	179	179
Borrowings	13	75,488	78,967
		399,468	459,332
Net current liabilities		(151,696)	(135,406)
Total assets less current liabilities		775,294	857,677

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		Unaudited	Audited
		30 June	31 December
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000
Non-current liabilities			
Accounts and other payables	12	120,569	129,398
Amounts due to related parties	14	5,604	2,589
Borrowings	13	427,046	390,323
Deferred tax liabilities		18,716	19,578
		<u>571,935</u>	<u>541,888</u>
NET ASSETS		<u>203,359</u>	<u>315,789</u>
Equity			
Share capital	15	70,730	70,730
Reserves		132,629	245,059
TOTAL EQUITY		<u>203,359</u>	<u>315,789</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

Attributable to owners of the Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contribution surplus <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings/ (Accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2022 (audited)	70,730	104,016	161,262	108,403	12,559	51,885	508,855
Total comprehensive income for the period (unaudited)	—	—	—	—	(48,800)	(69,990)	(118,790)
At 30 September 2022 (unaudited)	<u>70,730</u>	<u>104,016</u>	<u>161,262</u>	<u>108,403</u>	<u>(36,241)</u>	<u>(18,105)</u>	<u>390,065</u>
At 1 January 2023 (audited)	70,730	104,016	161,262	108,403	(29,632)	(98,990)	315,789
Total comprehensive income for the period (unaudited)	—	—	—	—	(8,795)	(103,635)	(112,430)
At 30 June 2023 (unaudited)	<u>70,730</u>	<u>104,016</u>	<u>161,262</u>	<u>108,403</u>	<u>(38,427)</u>	<u>(202,625)</u>	<u>(203,359)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Unaudited Six months ended 30 June 2023 HK\$'000	Unaudited Six months ended 30 September 2022 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash (used in)/generated from operating activities	<u>(44,545)</u>	<u>7,628</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,532)	—
Purchase of other intangible assets	—	(33)
Interest received	<u>118</u>	<u>—</u>
Net cash used in investing activities	<u>(10,414)</u>	<u>(33)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings raised	56,559	128,136
Repayment of loans	—	(46,595)
Decrease in amount due to ultimate holding company	—	(179)
Increase in amounts due to related parties, net	12,982	—
Interest paid	<u>(10,677)</u>	<u>(13,547)</u>
Net cash generated from financing activities	<u>58,864</u>	<u>67,815</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,905	75,410
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	12,898	5,274
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	<u>(1,913)</u>	<u>(4,106)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>14,890</u></u>	<u><u>76,578</u></u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	<u><u>14,890</u></u>	<u><u>76,578</u></u>

I. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Group for the nine months ended 31 December 2022. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the consolidated financial statements for the nine months ended 31 December 2022 except for the adoption of new and revised standards as set out in note 2.

Change of financial year end date

The board (the “Board”) of directors (the “Directors”, each a “Director”) of C&D Newin Paper & Pulp Corporation Limited (the “Company”, together with its subsidiaries, the “Group”) in June 2022 has resolved to change the financial year end date of the Company from 31 March to 31 December commencing from the financial period from 1 April 2022 to 31 December 2022. Please refer to the Company’s announcement dated 30 June 2022 for details.

Accordingly, this unaudited condensed consolidated financial information and the related notes presented for the current period cover a six-month period from 1 January 2023 to 30 June 2023 (the “period”) while the corresponding comparative amounts shown for the condensed consolidated statements of profit or loss, condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows, and the related notes cover a six-month period from 1 April 2022 to 30 September 2022. As a result, the comparative amounts may not be comparable with the amounts shown for the period.

Going Concern

As at 30 June 2023, the Group’s current liabilities exceeded its current assets by approximately HK\$151,696,000. As at 30 June 2023, current portion of the Group’s trade payable, bank borrowings and amounts due to related parties amounted to approximately HK\$53,820,000, HK\$75,488,000 and HK\$48,029,000 respectively while its cash and cash equivalents amounted to approximately HK\$14,890,000. These conditions indicate that material uncertainties exist which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

I. BASIS OF PREPARATION (CONTINUED)

Going Concern (Continued)

The Group's ability to continue as a going concern largely depends on the sufficiency of financial resources available to the Group. The Directors are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 1 July 2023, based on the following considerations:

- the Group will continue to pay close attention to its operations and make good use of its resources with an aim to attain positive and sustainable cash flow from operations;
- an undertaking has been provided by NCD, being the controlling shareholder of the Company, that NCD will first procure Shandong Bairun Paper Co. Ltd.* (山東佰潤紙業有限公司) ("Shandong Bairun"), which is under the control of the shareholders of NCD, to further extend the term of the loan of approximately HK\$269,600,000 (equivalent to RMB250,000,000). If considered insufficient, NCD will provide further loans required for the operation of Universal Pulp & Paper (Shandong) Co., Ltd.* (遠通紙業(山東)有限公司) ("UPPSD"), being an indirect wholly owned subsidiary of the Company, until other bank financing becomes available; and
- on 25 August 2023, UPPSD (as borrower) entered into a shareholder's loan agreement (the "Shareholder's Loan Agreement") with Xiamen C&D Paper (as lender), which is the intermediate holding company of NCD, for a loan facility of approximately HK\$107,840,000 (equivalent to RMB100,000,000) which is repayable within 18 months from the date of relevant drawdown.

In view of the above, the Directors are confident that there will be sufficient financial resources available to the Group to enable it to continue as a going concern and hence have prepared these condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue as going concern, adjustments would have to be made to write down the carrying value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these condensed consolidated financial statements.

I. BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The unaudited condensed consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies applied in these unaudited condensed consolidated financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the nine months ended 31 December 2022. A number of new or amended standards are effective from 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing the Group’s condensed consolidated financial statements.

The adoption of the new and revised standards are not expected to have any significant impact on this condensed consolidated financial information.

3. SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive directors of the Company. The executive directors review the Group’s financial information mainly from business nature and geographical perspectives. From a perspective on business nature, the Group has a single reportable segment, namely paper manufacturing and selling segment, for the six months ended 30 June 2023. From a geographical perspective, management mainly assesses the performance of operations in the PRC.

For the six months ended 30 June 2023, the Group has carried on a single business which is manufacturing and selling of paper products. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the executive Directors.

3. SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenues from customer contributing over 10% of the total revenue of the Group during the periods are as follows:

	Six months ended 30 June 2023 HK\$'000 (Unaudited)	Six months ended 30 September 2022 HK\$'000 (Unaudited)
Customer A	75,820	84,756
Customer B	69,699	*
Customer C	64,599	77,305
Customer D	*	163,725

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective period.

4. REVENUE

Disaggregation of revenue from contracts with customers by major products or service line for the period is as follows:

	Six months ended 30 June 2023 HK\$'000 (Unaudited)	Six months ended 30 September 2022 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Sale of goods	<u>593,547</u>	<u>722,184</u>
Timing of revenue recognition		
Products transferred at a point in time	<u>593,547</u>	<u>722,184</u>

5. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as follows:

	Six months ended 30 June 2023 HK\$'000 (Unaudited)	Six months ended 30 September 2022 HK\$'000 (Unaudited)
Income tax — the PRC		
Provision for the period	—	—
Under-provision in prior years	—	572
	—	572
Deferred tax	—	(226)
	—	346

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the period (2022: Nil).

The Company's PRC subsidiaries, save for UPPSD, are subject to the PRC corporate income tax rate of 25%. UPPSD, a PRC subsidiary of the Company, was entitled to the preferential tax rate of 15% from years 2016 to 2018, being accredited as a High and New Technology Enterprise according to the PRC Corporate Income Tax Law and its relevant regulations. As UPPSD has renewed the High and New Technology Enterprise qualification and approved on 28 November 2019 with an effective period of three years starting from 2019, and therefore the tax rate used to recognise deferred tax assets and liabilities as at 30 September 2022 was 15%. As the renewal of the High and New Technology Enterprise qualification is still in progress, UPPSD was subject to the statutory corporate income tax rate of 25% for the six months ended 30 June 2023.

Pursuant to the applicable laws, rules and regulations of Bermuda, the Group is not subject to any income tax in Bermuda.

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

6. LOSS FOR THE PERIOD

The Group's loss for the period is stated at after charging the following:

	Six months ended 30 June 2023 HK\$'000 (Unaudited)	Six months ended 30 September 2022 HK\$'000 (Unaudited)
Impairment losses of financial assets, net	<u>1,145</u>	<u>613</u>

7. DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2023 and 30 September 2022.

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following:

	Six months ended 30 June 2023 HK\$'000 (Unaudited)	Six months ended 30 September 2022 HK\$'000 (Unaudited)
Loss		
Loss for the purpose of calculating basic and diluted loss per share	<u>(103,635)</u>	<u>(69,990)</u>

8. LOSS PER SHARE (CONTINUED)

	Six months ended 30 June 2023 '000	Six months ended 30 September 2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>1,414,601</u>	<u>1,414,601</u>

Basic and diluted loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2023 and 30 September 2022.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group purchased property, plant and equipment of approximately HK\$10,532,000 (30 September 2022: Nil).

As at 30 June 2023, the carrying amount of property, plant and equipment pledged as security for the Group's bank loans amounted to approximately HK\$26,818,000.

10. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the Group did not enter into any new lease agreement (30 September 2022: Nil).

As at 30 June 2023, the carrying amount of land use rights and leasehold land pledged as security for the Group's bank loans amounted to approximately HK\$56,838,000.

II. ACCOUNTS AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Accounts and bills receivable, net of provision	15,508	8,374
Other receivables, deposits and prepayments	44,770	50,798
	<u>60,278</u>	<u>59,172</u>

The ageing analysis of accounts and bills receivable, based on the invoice date, and net of allowance, is as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Current to 90 days	14,699	8,374
91–180 days	809	—
	<u>15,508</u>	<u>8,374</u>

12. ACCOUNTS AND OTHER PAYABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Accounts payable	53,820	103,087
Accruals and other payables	145,339	152,654
Debt restructuring (note)	188,053	199,993
	387,212	455,734
Analysed as:		
Current liabilities	266,643	326,336
Non-current liabilities	120,569	129,398
	387,212	455,734

Note: According to the UPPSD's bankruptcy reorganisation plan approved by the People's Court of Xuecheng District, Zaozhuang City, Shandong Province, the People's Republic of China ("UPPSD Bankruptcy Reorganisation Plan"), for each creditor's unsecured claims with principal amount exceeding RMB200,000, settlement will be completed within four (4) years in five (5) instalments of 20% every year. The first instalment payment was made to repay creditor's unsecured claim of principal amount below RMB200,000 (inclusive) and 20% of the principal amount in excess of RMB200,000. The four subsequent instalments of 20% of the principal amount in excess of RMB200,000 shall be paid on or before the first, second, third and fourth anniversary date of the first instalment payment. Remaining debts shall not bear any interest for the period of settlement in instalments. Details of the UPPSD Bankruptcy Reorganisation Plan have been set out in the circular of the Company dated 31 December 2021.

The ageing analysis of accounts payable, based on invoice date, is as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
0 to 90 days	53,820	102,930
Over 90 days	—	157
	53,820	103,087

13. BORROWINGS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Bank loans	75,488	78,967
Other borrowings	<u>427,046</u>	<u>390,323</u>
	<u>502,534</u>	<u>469,290</u>

The borrowings are repayable as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within one year and on demand	75,488	78,967
More than one year, but not exceeding two years	427,046	390,323
More than two years, but not more than five years	—	—
More than five years	—	—
	<u>502,534</u>	<u>469,290</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(75,488)</u>	<u>(78,967)</u>
Amount due for settlement after 12 months	<u>427,046</u>	<u>390,323</u>

The carrying amounts of the Group's borrowings are denominated in RMB.

The interest rates per annum were as follows:

	30 June 2023	31 December 2022
Bank loans	4.3%	4.3%
Other borrowings	3.85–4.05%	3.85–4.05%

13. BORROWINGS (CONTINUED)

Bank loans of approximately HK\$75,488,000 (equivalent to RMB70,000,000) are arranged at fixed interest rates of 4.3% per annum which is secured by a charge over certain land and buildings of the Company's subsidiaries, with a total carrying value of approximately HK\$83,656,000.

Other borrowings of approximately HK\$269,600,000 (equivalent to RMB250,000,000) and approximately HK\$157,446,400 (equivalent to RMB146,000,000) are arranged at fixed interest of 3.85% and 4.05% respectively per annum. On 23 March 2023, UPPSD has entered into extension agreements with Shandong Bairun to extend the borrowings in the amounts of approximately HK\$269,600,000, HK\$103,526,400 and HK\$53,920,000 (equivalent to RMB250,000,000, RMB96,000,000 and RMB50,000,000 respectively) to 31 January 2025.

14. AMOUNTS DUE FROM/(TO) RELATED PARTIES/ULTIMATE HOLDING COMPANY

As at 30 June 2023, the accounts payable in the aggregate amount of approximately HK\$42,391,000 are unsecured and repayable on demand, in which approximately HK\$6,470,000 carries an interest rate of 3.85% per annum and approximately HK\$35,921,000 is interest-free. The remaining amounts due to related parties/ultimate holding Company are unsecured, interest-free and have no fixed repayment terms. The amounts due from related parties are unsecured, interest free and repayable on demand.

	Accounts receivable <i>HK\$'000</i>	Contract liabilities <i>HK\$'000</i>	Accounts payable <i>HK\$'000</i>	Other payables <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2023 (unaudited)					
Amounts due from/(to) related parties					
Current assets/(liabilities)	1,416	(2,802)	(42,391)	(2,836)	(46,613)
Non-current liabilities	—	—	—	(5,604)	(5,604)
	<u>1,416</u>	<u>(2,802)</u>	<u>(42,391)</u>	<u>(8,440)</u>	<u>(52,217)</u>
Amounts due to ultimate holding company					
Current liabilities	—	—	—	(179)	(179)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>(179)</u>	<u>(179)</u>

**14. AMOUNTS DUE FROM/(TO) RELATED PARTIES/ULTIMATE HOLDING COMPANY
(CONTINUED)**

	Accounts receivable <i>HK\$'000</i>	Contract liabilities <i>HK\$'000</i>	Accounts payable <i>HK\$'000</i>	Other payables <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2022 (audited)					
Amounts due from/(to) related parties					
Current assets/(liabilities)	13,167	(2,104)	(48,856)	(1,295)	(39,088)
Non-current liabilities	—	—	—	(2,589)	(2,589)
	<u>13,167</u>	<u>(2,104)</u>	<u>(48,856)</u>	<u>(3,884)</u>	<u>(41,677)</u>
Amounts due to ultimate holding company					
Current liabilities	—	—	—	(179)	(179)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>(179)</u>	<u>(179)</u>

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.05 each		
At 31 December 2022 (audited) and 30 June 2023 (unaudited)	2,000,000,000	100,000
Convertible non-voting preference shares of HK\$0.10 each		
At 31 December 2022 (audited) and 30 June 2023 (unaudited)	<u>143,086,013</u>	<u>14,309</u>
At 31 December 2022 (audited) and 30 June 2023 (unaudited)	<u>2,143,086,013</u>	<u>114,309</u>
Issued and fully paid:		
Ordinary shares of HK\$0.05 each		
At 31 December 2022 (audited) and 30 June 2023 (unaudited)	1,414,600,832	70,730
Convertible non-voting preference shares of HK\$0.10 each		
At 31 December 2022 (audited) and 30 June 2023 (unaudited)	<u>—</u>	<u>—</u>
At 31 December 2022 (audited) and 30 June 2023 (unaudited)	<u>1,414,600,832</u>	<u>70,730</u>

16. RELATED PARTY TRANSACTIONS

- (a) The remuneration of directors and other members of key management during the period:

	Six months ended 30 June 2023 HK\$'000 (Unaudited)	Six months ended 30 September 2022 HK\$'000 (Unaudited)
Basic salaries and allowances	616	660
Retirement benefit scheme contribution	—	—
	616	660

- (b) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transaction with its related party during the period:

	Six months ended 30 June 2023 HK\$'000 (Unaudited)	Six months ended 30 September 2022 HK\$'000 (Unaudited)
Purchase of raw materials from related parties (note)	—	844
Sales of finished goods to related parties	168,277	171,035
Finance cost to a related party	8,976	6,283

Note: The agreements in relation to the purchases of raw materials for the ordinary and usual course of business of UPPSD were entered into before the date of the resumption of trading in shares of the Company on the Stock Exchange (the "Resumption"). Details of the Resumption have been set out in the announcement of the Company dated 26 January 2022.

17. EVENTS AFTER THE REPORTING PERIOD

Change in the Shareholding Structure of the Controlling Shareholder

On 21 July 2023, HK Paper Sources and XSD entered into a share purchase agreement pursuant to which HK Paper Sources had conditionally agreed to acquire and XSD had conditionally agreed to sell XSD's 45% equity interests in NCD, the direct controlling shareholder of the Company holding as to approximately 70.00% issued share capital of the Company (the "Change in the Shareholding Structure of the Controlling Shareholder"), the completion of which (the "Completion") took place on 8 August 2023.

Immediately upon and from Completion, XSD ceases to hold any shares in the capital of NCD and HK Paper Sources holds in aggregate, directly and indirectly through its wholly owned subsidiary, Glenfor, 100% of the equity interests in NCD. There was no change in the shareholding of NCD in the Company and NCD remains to be a controlling shareholder of the Company upon and from Completion.

Please refer to the announcements of the Company dated 21 July 2023 and 8 August 2023 for details.

Resignations of Directors

On 8 August 2023, (i) Ms. Shi Chenye resigned as each of an executive Director and the vice chief executive officer of the Company with effect from 8 August 2023; and (ii) Mr. Li Shengfeng resigned as each of a non-executive Director and a director of NCD with effect from 8 August 2023 ((i) and (ii) are collectively referred to as the "Resignations of Directors").

Details of the Resignations of Directors were set out in the announcement of the Company dated 8 August 2023.

Entering into of the Shareholder's Loan Agreement

On 25 August 2023, UPPSD (as borrower), an indirect wholly owned subsidiary of the Company, entered into the Shareholder's Loan Agreement with Xiamen C&D Paper (as lender), which is the intermediate holding company of NCD, for a loan facility of approximately HK\$107,840,000 (equivalent to RMB100,000,000) which is repayable within 18 months from the date of relevant drawdown. Given the financial assistance received by UPPSD from Xiamen C&D Paper under the Shareholder's Loan Agreement is conducted on normal commercial terms or better and is not secured by the assets of the Group, it is fully exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

Save as disclosed above, the Group has no significant events occurred from 1 July 2023 to the date of this interim report which require additional disclosures.

* For identification purpose only